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C O N F I D E N T I A L SECTION 01 OF 02 AMMAN 002527

SIPDIS

STATE PLEASE PASS TO USAID
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E.O. 12958: DECL: 04/09/2016

TAGS: [EFIN](#) [KPAL](#) [KWBG](#) [KTFN](#) [ECON](#) [JO](#)

SUBJECT: CENTRAL BANK OF JORDAN RESPONSE TO GUIDANCE ON
DEALINGS WITH PRIVATE PALESTINIAN INDIVIDUALS AND
INSTITUTIONS

REF: A. STATE 56324

- [1](#)B. AMMAN 1405
- [1](#)C. JERUSALEM 1383
- [1](#)D. TEL AVIV 1368

Classified By: Ambassador David Hale, Reason 1.4 (d)

[1](#)1. (C) Summary: Post delivered Ref A talking points on the permissibility of commercial and financial relationships with private individuals and entities within the Palestinian territories to Central Bank of Jordan Governor Umayya Toukan on April 9. Toukan said that Arab Bank is moving to sever banking relationships with the PA, and speculated on the future of Palestine Monetary Authority Governor George Abed. Separately, Arab Bank Chief Banking Officer Shukry Bishara expressed concern about Arab Bank branches in the Palestinian territories being subject to Palestine Monetary Authority and PA Finance Ministry oversight, and requested guidance from the USG on dealings with entities controlled by the PA Office of the President. End Summary.

[1](#)2. (C) On April 9, ECOUNS and TREASATT delivered reftel talking points to Central Bank of Jordan (CBJ) Governor Umayya Toukan. ECOUNS also noted that guidance on the USG's position regarding transactions involving HAMAS-controlled PA ministries and parastatals will be forthcoming in the near future. In response, Toukan said that Arab Bank Chairman and CEO Abdul Hamid Shoman will voluntarily sever banking relationships with PA ministries and entities under HAMAS control in order to avoid additional legal exposure in light of civil litigation currently underway against the bank in New York. (NOTE: Arab Bank is the defendant in three civil suits in New York alleging that Arab Bank provided financial services to HAMAS-affiliated entities and, as a result, aided and abetted certain acts of terrorism. END NOTE.) Toukan added that Shoman had requested instructions from the CBJ on how to proceed (see Ref B). Toukan explained that in response, he could only counsel Arab Bank to implement comprehensive anti-money laundering and terrorist finance compliance measures, and to comply with the laws and regulations of the jurisdictions in which it operates. Toukan implied that Shoman was searching for legal cover for his business decision to terminate PA accounts which the CBJ could not provide. "I cannot tell them to close the accounts," stated Toukan.

[1](#)3. (C) Discussing developments in Arab Bank's commercial relationship with the PA, Toukan stated that Arab Bank is no longer granting new credit to the PA and is winding down open credit facilities. He indicated that PA President Mahmoud Abbas recently returned from Algeria with a \$35 million donation which will be used to cover some of the PA's overdrafts with the Arab Bank.

[1](#)4. (C) In response to TREASATT's inquiry, Toukan speculated that Palestine Monetary Authority (PMA) Governor George Abed will be replaced as part of HAMAS' assumption of power, but his dismissal does not appear to be imminent. Toukan indicated he does not have any first-hand knowledge of Abed's fate, but has heard from unidentified sources in the PA that Abed is not popular with HAMAS officials.

[1](#)5. (SBU) In a separate phone conversation with ECOUNS, Arab Bank Chief Banking Officer Shukry Bishara expressed concern about Arab Bank's branches in the Palestinian territories being under the regulatory authority of both the PMA and the PA Finance Ministry, the latter being directly under the control of a HAMAS minister. He also requested guidance from the USG on dealings with entities controlled by the Office of the President, in particular, the Palestine Investment Fund.

[1](#)6. (C) Comment: Governor Toukan responded positively to Post's reiteration of the permissibility of transactions with private individuals and entities in the Palestinian territories but, like Arab Bank, is primarily concerned with the U.S. position on dealings with the PA and PA-controlled entities. His belief that Arab Bank is moving to sever ties

with the PA in order to minimize legal risk in the U.S. echoes comments made to Post by Arab Bank's Global Head of Regulatory Compliance, and suggests that the PA may lose its main banker in the very near future. It also demonstrates the impact that Arab Bank's legal woes have had on its global decision-making. Post expects that guidance now being prepared by Washington agencies will answer Bishara's question about dealings with entities that are controlled by the Office of the President, including the Palestine Investment Fund.
HALE